



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2373 (2033)

September 26, 1991

■
SUBJECT: Retention of File Material in
"Loss to Government" Cases

TO: State Directors, District Directors
and County Supervisors

Purpose/Intended Outcome: To provide interim guidance on
retention of subject files.

Comparison to Previous AN's: No previous ANs on subject.

Implementation Responsibilities: Procedure Notice 170 dated
8-7-91, released revised FmHA Instruction 2033-A on Records
Management in State, District, and County offices. Contained in
§2033.10(b)(4)(ii) is a new provision that closed files on all
cases which resulted in a loss to the Government are to be
labeled "Loss to Government". Also, the files are to be retained
for 7 fiscal years after the end of the fiscal year in which
closed. This has caused concern about the volume of these files
and the storage problems which may develop.

This provision was established to support subsequent phases of
the Current/Past Debt Inquiry System for screening applicants for
history which might have a bearing on the consideration of
extending future credit. While the system will include coding to
alert the office processing the new application that the
applicant has had FmHA credit previously which resulted in a loss
to FmHA, sufficient materials must be retained to support the
decision reached. Rejection of an applicant based on a system
code with no documentation to support it will likely not hold up
during an administrative appeal or in Court. The 7-year period
is consistent with the time records are held by credit bureaus.

The concerns raised are valid, and staff members in the National
Office have been designated to determine the minimum documents
needed to support future loan rejections. Upon completion of
this review, further guidance will be given on the documents to
be retained and disposition of the remaining file materials.

LA VERNE AUSMAN
Administrator

EXPIRATION DATE: December 31, 1991

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 2033-A



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250